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Search for New Energy May Alter Soviet-East Europe Ties

By Murray Seeger
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BUDAPEST—The countries of Eastern Europe have started a search for alternative energy sources that could alter their economic and political relationship with the Soviet Union.

At the core of the issue is a Soviet warning to its allies that it cannot increase deliveries of crude oil much beyond current volumes, while at the same time Moscow has dramatically increased oil sales to the non-Communist world.

The price charged by Moscow to Eastern Europe, while still low compared with the world price charged by members of the Organization of Petroleum Exporting Countries, is expected to jump by 25 per cent in January following a 22.5 per cent increase at the beginning of the year.

By 1980, unless the OPEC countries raise their price dramatically, the members of the East European trading group (Comecon) will be paying close to the world price for Soviet oil. The importing countries in 1973 paid roughly one-third the world price for their oil and this year they are paying two-thirds of it.

The Soviet Union is the world's largest oil producer and is believed to hold immense, untapped reserves, particularly in western and central Siberia. The growth in Soviet production has been slowing, however, and some Western experts believe output may actually decline after 1980 unless Moscow is able to conquer the difficult problems of extracting and delivering oil from new fields in the permafrost zone.

In an analysis that was criticized by some experts for being too pessimistic, Adm. Stansfield Turner, director of the Central Intelligence Agency, said in June that "under any but the most optimistic assumption on energy production and savings, the Soviets will be unable both to maintain imports of industrial goods from the West and keep supplying Eastern Europe with the bulk of its oil and gas."

Demand in both the Soviet Union and its East European allies has been growing steadily so that some prognosticators suggested that the Soviet Union itself could become an oil importer in the next decade. Moscow for several years has tried to get American, West German and Japanese investors and developers to help increase production from the Siberian fields.

One effect of the growing energy crisis in Eastern Europe is a slowing of economic growth and of the rise in living standards, which still lag far behind those of Western Europe. The need to find alternative energy supplies is forcing the Comecon countries to broaden their political and economic contacts which could diminish their heavy reliance on the Soviet Union.

The oil price squeeze forces the East Europeans to export more goods to Moscow to pay their fuel bills. At the same time, they are trying to increase their exports to Western industrial countries to pay their rising total of hard-currency debt.

The East Europeans are also trying to make new trade deals with OPEC countries to finance new oil imports. Because the Communist states have a chronic shortage of the U.S. dollars with which OPEC countries settle their accounts, the Communist countries increasingly try to make barter deals for oil.

Meantime, faced with its own heavy hard-currency debts, the Soviet Union last year sharply increased its oil exports to Western industrial countries.

Italy and Finland, in that order, are Moscow's biggest non-Communist customers but the sales list includes neighbors Afghanistan and Turkey, African states like Ghana and Guinea, and the United States, which bought 7 million barrels in 1976, double the 1975 quantity.

Moscow charges its capitalist customers the "world price" for oil and now earns nearly 50 per cent of its hard-currency income from petroleum. In 1976 alone, the Soviet Union increased deliveries of oil to the European Common Market by 42 per cent and to all non-Communist customers by 14 per cent.

Ten Communist countries got 7 per cent more oil in 1976 compared with 1975.

In addition to seeking new sources of oil, the Comecon countries are accelerating plans to develop nuclear power stations and intensifying the use of traditional fuels such as coal and lignite. All have sought closer relations with Iran, Kuwait, Iraq, Libya and other oil producing countries.

Among the Soviet Union's Communist neighbors, the reactions to the oil squeeze vary depending on their individual economic positions.

Little Hungary, for instance, which gets about two-thirds of its oil from Soviet wells, has already begun to look for new coal supplies and make preparations for building its first nuclear power plant.

In a recent public statement, Janos Heiczman, deputy minister for the metals and machine industry, said that the Soviet bloc states would meet half of their energy needs through nuclear power by 1990.

The Soviet Union has ample supplies of uranium and the technology to build nuclear plants. With political power monopolized by the Communist party, the East European states can build any kind of reactors they want with little concern for possible public protests by environmental groups such as those which have slowed nuclear developments in Western Europe and the United States.

Poland, on the other hand, has sizeable coal reserves which have been a solid export item for Warsaw both in trade with Moscow and the West. The Poles are talking about building coal-fired generating plants in its Silesian mining areas and exporting the power.

Warsaw recently played host to the shah of Iran, whose country is one of the world's biggest oil producers, and signed agreements with him for economic, industrial and cultural cooperation. The shah's next stop was Prague where the usually strident anti-imperialist media instead complimented him on his domestic economic and social reform programs.

Czechoslovakia had previously signed an agreement to buy Iranian natural gas—which is shipped in a pipeline across the Soviet Union. But, like Poland, Prague needs to find additional oil supplies.

A well-developed industrial state, Czechoslovakia has better industrial goods to trade for oil than some other Comecon countries and also sells armaments for export.

East Germany is a major arms exporter in partership with Moscow's political-policies to support wars of liberation in Africa. It has been espe-

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